

Message Text

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PAGE 01 AMMAN 08545 070657Z

10

ACTION NEA-10

INFO OCT-01 AF-06 ISO-00 PA-02 PRS-01 L-03 H-02 AID-05

CIAE-00 COME-00 EB-07 FRB-01 INR-07 NSAE-00 USIA-15

TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01

OMB-01 STR-04 NSC-05 SS-15 CEA-01 /105 W

----- 040113

R 060637Z NOV 75

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 6072

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TEHRAN

AMEMBASSY TUNIS

UNCLAS AMMAN 8545

E.O. 11652: N/A

TAGS: EAID, EINV, JO, KU

SUBJECT: \$100 MILLION KUWAITI INVESTMENT IN JORDAN

REF: KUWAIT 4023

1. ON OCTOBER 29, JORDANIAN HOUSING BANK AND KUWAIT REAL ESTATE
INVESTMENT CONSORTIUM SIGNED AGREEMENT BY WHICH CONSORTIUM WILL
PURCHASE 3 MILLION JD WORTH OF SHARES IN HOUSING BANK (1 JD EQUAL \$3

.2

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PAGE 02 AMMAN 08545 070657Z

U.S.). ONE MEMBER OF BANK BOARD OF DIRECTORS WILL BE NAMED BY

KUWAIT'S MINISTER OF FINANCE. FOR TWO YEARS, DIVIDENDS DUE TO KUWAITI SHARES WILL ACCRUE TO HOUSING BANK RESERVES. THEREAFTER IT IS UNDERSTOOD, BUT APPARENTLY NOT WRITTEN OUT, THAT KUWAITI SHARES WILL EARN MINIMUM OF 6 PERCENT INTEREST. HOUSING BANK ALSO EXPECTS IMMINENT AGREEMENT UNDER WHICH GOVERNMENT OF IRAN WILL BY JD 1 MILLION OF HOUSING BANK SHARES.

2. IN SEPARATE AGREEMENT SIGNED SAME DAY BETWEEN CONSORTIUM AND GOJ MINISTRY OF INDUSTRY AND COMMERCE, CONSORTIUM IS COMMITTED TO INVEST \$100 MILLION (INCLUSIVE OF PURCHASE OF HOUSING BANK SHARES) IN REAL ESTATE, HOUSING AND TOURISM IN JORDAN. ENTIRE KUWAITI

INVESTMENT PACKAGE CLEARLY SEEKS LONG TERM RETURN TO CAPITAL ANTICIPATING INEVITABLE EXHAUSTION OF OIL RESERVES. THUS FAR ONLY ONE PROJECT, HOTEL FOR AMMAN, HAS BEEN PUBLICLY IDENTIFIED. CONSORTIUM REPRESENTATIVE, MUHAMMED MHANNA, IS EXPECTED TO ARRIVE IN AMMAN WITHIN COMING WEEK TO INVESTIGATE OTHER POSSIBILITIES, AT LEAST SOME OF WHOCH ARE TO BE UNDERTAKEN WITH LOCAL CONCERNS.

3. JORDAN'S HOUSING BANK WAS ESTABLISHED IN MID-1973 "TO ENCOURAGE CONSTRUCTION OF RESIDENTIAL HOUSING" AND HAS FUNCTIONED MUCH LIKE A S & L. UNTIL KUWAITI PURCHASE OF BANK SHARES DESCRIBED ABOVE, INITIAL CAPITAL OF 1 MILLION JD, 50 PERCENT SUBSCRIBED EACH BY GOJ AND GENERAL PUBLIC, HAD REMAINED UNCHAGED. ACCORDING TO BANK DIRECTOR GENERAL AND CHAIRMAN OF BOARD, ZUHAIR KHOURY, HOUSING BANK HAS DEPOSITS OF ABOUT 8 MILLION JD, REPRESENTING APPROXIMATELY 6 PERCENT OF ALL COMMERCIAL BANK DEPOSITS IN JORDAN. KHOURY CONSIDERS CONSUMMATION OF KUWAITI DEAL PERSONAL TRIUMPH AFTR WORKING VIGORIOUSLY FOR OVER ONE YEAR TO ATTRACT GULF OIL MONEY TO JORDAN.

4. COMMENT: KUWAIT INVESTMENT PACKAGE IS FIRST EXAMPLE OF SIGNIFICANT INVESTMENT INTERESTS IN JORDAN FROM OIL RICH ARAB STATES (AS OPPOSED TO GOVERNMENT GRANTS AND LOANS). AS SUCH IT WILL BE BREAKING IMPORTANT NEW GROUND IN JORDAN, AND WE WILL BE INTERESTED TO SEE WHETHER JORDAN, WITH ITS NEW AND AMBITIOUS FIVE YEAR PLAN, WILL PROVE SUFFICIENTLY INTERESTING THROUGH ITS REACTION TO KUWAITI VENTURE, TO ATTRACT ADDITIONAL INVESTMENT CAPITAL FROM ITS OIL RICH NEIGHBORS. AS FAR AS WE CAN DETERMINE, LOCAL REACTION TO INVESTMENT PACKAGE IS FAVORABLE, APPARENTLY UNCLASSIFIED

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PAGE 03 AMMAN 08545 070657Z

WITHOUT EVEN SERIOUS QALMS AT PROSPECT OF KUWAITI OWNERSHIP OF SUBSTANTIAL PIECES OF JORDAN. SOME OBSERVERS HOPE/EXPECT GULF INVESTMENT IN INDUSTRIAL VENTURES IN JORDAN TO FOLLOW IF INITIAL KUWAITI PLUNGE PROVES SUCCESSFUL.
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